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DIVISION OF COMMUNITY AFFAIRS**

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**CDBG****Community Development Block Grant Program****MANAGEMENT MEMORANDUM****Memorandum Number: 99-3****TO: All Eligible Jurisdictions and Interested Parties****DATE: March 17, 1999****SUBJECT: Miscellaneous Items**

This memorandum transmits several important items which are described below. Topics in this memo include:

- **Change of Date for Upcoming Labor Standards Workshop**
- **Revised Annual Program Income Report**
- **New 1999 Income Limits**
- **Public Comments on Annual Plan and Proposed Changes to State CDBG Program**
- **Application Training Follow-up Question and Answer**
- **Research Survey - distributed on behalf of California Coalition for Rural Housing**

Change of Date for Upcoming Labor Standards Workshop

Management Memo 99-2 notified CDBG grantees of four upcoming labor standards workshops. Please note that the date of the Monterey County Labor Standard Workshop is **Wednesday, March 31, 1999**. The location noted in the memo is correct. The training will be held at the Agricultural Conference Center at 1428-1432 Abbot Street in Salinas. Contact Larry Davis at (916) 322-9864 if you have questions.

Revised Annual Program Income Report

Enclosed is a revised Annual Program Income Report form with revised instructions. This report is due to the Department on August 15th on an annual basis. The report has been changed to add an item in the heading section which will capture the total amount of program income that is on hand at the end of the fiscal year. The revised form replaces the form contained in Chapter 10 of the CDBG Grant Management Manual.

New 1999 Income Limits

The State Department of Housing and Community Development has adopted new income limits as of February 1999. Attached you will find the 1999 Income Limits for targeted income group (TIG) households/families. These income limits replace the limits which were in effect during 1998.

Public Comments on Annual Plan and Proposed Changes to State CDBG Program

The Department is holding public hearings on the Draft 1999-2000 Annual Plan (dates and locations are listed in the enclosed Public Notice). The Annual Plan informs the U.S. Department of Housing and Urban Development as to the Department's proposed strategy for allocating federal funds, including the State Community Development Block Grant funds. The public hearings provide an opportunity for the CDBG program's stakeholders to provide input on any proposed changes to the program.

The 1999-2000 draft Annual Plan identifies legislative and regulatory changes that are currently being considered. If adopted, these changes would affect the allocation of funds to the program's cities and counties. The proposed legislative changes are being promoted by representatives of some counties and some CDBG program operators. The proposed regulatory changes are being considered by the Department in response to input from a State CDBG Program Working Group and from the results of a study that, in part, analyzed the impact of the program's application rating factors on the distribution of funds.

Proposed Legislative Changes: As currently written, AB1564 (Assembly Member Strom-Martin) would change the program's method of allocating funds so that counties are given an annual allocation of the General Allocation funds. The bill proposes that 59 percent of the General Allocation be allocated to counties according to a formula based on population.

Proposed Regulatory Changes: The Poverty Index rating factor would be revised to include both the rate of persons in poverty and the actual numbers of persons in poverty. In the General Allocation, the Benefit to the Targeted Income Group factor would be changed to allow for full points at rates of benefit that are less than 100 percent for some types of activities.

Persons in attendance at the Public Hearings will be invited to comment on these proposed changes.

Application Training Follow-up Question and Answer

The following question was asked at the Sacramento Application Training Workshop. Contact your CDBG Representative if you have questions regarding the General Allocation application.

Q: If you use program income to augment grant funds for an activity, will you be penalized for not meeting your milestones? For example, if you were awarded \$500,000 and were using \$200,000 of program income for that activity, would the first year milestone be 25 percent of \$700,000 or 25 percent of \$500,000?

A: If you are using program income for the same activity that is funded by a CDBG grant, you must first spend the program income. The expenditure of program income does not count towards meeting the milestone. Therefore, in the example above, the first year milestone would be successfully met by expending all \$200,000 of the program income and also 25 percent of the \$500,000 grant.

Research Survey

Enclosed is a survey sponsored by the California Coalition for Rural Housing Project in conjunction with a research project on State administration of the CDBG program. You are encouraged to reply to the address in the memo.